

Message Text

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FM SECSTATE WASHDC

TO AMCONSUL LUBUMBASHI

INFO AMEMBASSY KINSHASA

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E.O. 11652: GDS

AGS: EMIN, EINV, CG

SUBJECT: GECAMINES PRODUCTION

REF: STATE 274327

1. A PRINCIPAL KEY TO ZAIRIAN ECONOMIC RECOVERY IN 1977
WILL BE AN INCREASE IN GECAMINES PRODUCTION TO 1975
LEVELS AND, HOPEFULLY, THE REALIZATION OF PRODUCTION
IN 1978 AT OR NEAR 100 PERCENT OF CAPACITY. DEPT BELIEVES
IT IMPORTANT THAT YOU APPROACH UMBA AND OTHER APPROPRIATE
GECAMINES OFFICIALS TO EXPLAIN US CONCERN AND
WILLINGNESS TO ASSIST GECAMINES IN REACHING THESE GOALS.
YOU CAN DRAW UPON THE FOLLOWING ANALYSIS OF THE COPPER
MARKET WHILE POINTING OUT THAT US PROPOSALS (EXIM LOAN
AND AID ORGANIZED TRAINING PROGRAMS--SUBJECT TO SEPTEL)
ARE CONCRETE EXAMPLES OF US INTEREST. YOU SHOULD COORDINATE
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YOUR EFFORTS WITH EMBASSY KINSHASA AND EMBASSY SHOULD

CONSIDER UTILITY OF MAKING A PARALLEL APPROACH IN
KINSHASA.

2. A DISCUSSION OF PROSPECTIVE COPPER PRICES MIGHT
USEFULLY BE DIVIDED (ALBEIT ARTIFICIALLY) INTO THREE
PERIODS: SHORT TERM (TO END OF 1977); MEDIUM TERM

(THRU END OF 1979); AND LONG TERM (1980 ONWARD). DEPT'S
BEST ESTIMATE FOR SHORT TERM WOULD BE THAT PRICES WILL
SLOWLY RISE TO 85 CENTS/POUND. MEDIUM TERM ESTIMATES
RUN AS HIGH AS 1.50 DOLLARS, AND GIVEN THE CYCLICAL
NATURE OF COPPER MARKET, LONG TERM PROJECTIONS ARE
AT BEST TENUOUS, AND WOULD PROBABLY NOT BE VALID.
HOWEVER, IT SEEMS LIKELY THAT WORLD DEMAND COULD
PICK-UP AROUND 1980. TO MATCH THIS INCREASE IN DEMAND
SIGNIFICANT ADDITIONAL WORLD PRODUCTIVITY WILL BE COMING
ON STREAM AT ABOUT THE SAME TIME. THE FOLLOWING
TABLE ILLUSTRATES THIS POINT:

COUNTRY	ESTIMATE OF ADDITIONAL MINE CAPACITY FROM 1974 TO 1980 (MT)	ON STREAM (APPROXIMATE)
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IRAN	147,000	1977-78
POLAND	110,000	1979-80
PERU	300 TO 400,000	1977-80
CHILE	200 TO 300,000	1980
MEXICO	250,000	1978-80
CANADA	175,000	1980
PANAMA	150,000	1981-82
U.S.	500,000	1977-80

IT SHOULD BE NOTED THAT INCREASED US PRODUCTION WILL
PROBABLY NOT RESULT IN US EXPORTING COPPER. IT IS
ANTICIPATED THAT ALL INCREASES IN US PRODUCTION WILL
BE SOLD DOMESTICALLY. IN SUMMARY THE LONG-RUN PICTURE
IS UNCLEAR. WHAT MAY BE MORE PREDICTABLE IS A MEDIUM
TERM PRICE INCREASE THAT COULD BE EXTREMELY BENEFICIAL
TO ZAIRE IF ZAIRIAN PRODUCTION IS AT OR NEAR CAPACITY.

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3. THEREFORE, IF THE ABOVE ANALYSIS IS ACCURATE, THE
GOZ SHOULD BE CONCENTRATING ON CORRECTING GECAMINES
PRODUCTION PROBLEMS SO THAT IT MAY MAXIMIZE ITS
COPPER REVENUES IN THE PERIOD BEFORE 1980 WHEN INCREASING
PRICES ARE MORE ASSURED. UMBA AND OTHERS AT GECAMINES
HAVE EXPRESSED RESERVATIONS ABOUT UTILIZING THE 20
MILLION DOLLARS EXIM LOAN. WHILE IT WOULD BE DESIRABLE
ON GECAMINES' PART TO INCREASE THE PROPORTION OF SPARE

PARTS IN THE LOAN, IT SHOULD BE POINTED OUT THAT SPARE PARTS ARE USUALLY PURCHASED ON 180 DAY TERMS, AND THE TERM OF THE EXIM LOAN IS FIVE YEARS PLUS A GRACE PERIOD THRU AUGUST 1978. THEREFORE, EXIM DOES NOT FEEL IT CAN ENTERTAIN A "SHOPPING LIST" THAT INCLUDES MORE THAN 20 PERCENT SPARES. DEPT IS SYMPATHETIC TO GECAMINES NEEDS AND REALIZES THAT GECAMINES IN A TYPICAL YEAR, I.E. 1974, CAN PURCHASE UP TO 12 MILLION DOLLARS IN

SPARES AND NEW EQUIPMENT IN US. CONSUL SHOULD EXPLORE FULLY WITH UMBA HIS RESERVATIONS AND CLEARLY IDENTIFY THE PROBLEM AREAS, IF SUCH PROBLEMS STILL EXIST, AS REGARDS THE EXIM LOAN, INCLUDING ANY SUGGESTIONS FOR WAYS IN WHICH LOANS COULD BE USED EFFECTIVELY. CONSUL SHOULD POINT OUT THAT DEADLINE IN REFTEL IS FIRM, AND ONCE PAST, IT APPEARS THAT IT WOULD BE VERY DIFFICULT TO ARRANGE FOR ANOTHER LOAN IN THE NEAR FUTURE IF GECAMINES WERE NOT TO MAKE USE OF THIS OFFER.

4. FOR KINSHASA AND LUBUMBASHI. DEPT IS CONSIDERING THE POSSIBILITY OF ARRANGING FOR A SECOND FOLLOW-UP LOAN TO EXIM'S (100 PERCENT COMMERCIAL BANK PARTICIPATION WITH 100 PERCENT USG INSURANCE). CONSUL MIGHT WANT TO PROBE GECAMINES OFFICIALS ON FUTURE NEEDS, BUT IS NOT AUTHORIZED TO MENTION POSSIBILITY OF SECOND LOAN. DEPT WOULD APPRECIATE RECEIVING COMMENTS OF CONSUL AND EMBASSY ON THIS IDEA. ONE OF OUR CONCERNS WOULD BE TO ENSURE BY SOME MEANS THAT FOREIGN EXCHANGE WOULD BE INCREMENTAL TO EXISTING FOREIGN EXCHANGE AVAILABILITY, AND NOT ALLOW PREVIOUSLY COMMITTED FOREIGN EXCHANGE TO BE DISPLACED.

5. CONSUL SHOULD WAIT FOR RECEIPT OF SEPTEL REFERENCED
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IN PARA 1 BEFORE APPROACHING UMBA. KISSINGER

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